

**Office of the Mayor
The City of Harrisburg**

M.L.K. City Government Center
10 North Second Street
Harrisburg, PA 17101-1678

Stephen R. Reed
Mayor

October 26, 2006

(717) 255-3040

Honorable James Ruberto, Mayor
City of Pittsfield
70 Allen Street
Pittsfield, Massachusetts 01201

Dear Mayor Ruberto:

It is our understanding that the City of Pittsfield is considering the prospect of establishing a split-rate property policy, such that the tax rate on land would be higher than the millage rate applied to improvements. The City of Harrisburg, Pennsylvania has had such a policy in place for over two decades and with great success.

In Pennsylvania, cities are not permitted to annex surrounding areas. Our borders are therefore inelastic. This requires that we assure the highest and best use of land, which is in finite quantity here. Further, we want to discourage the practice of real estate speculation which has, in many cities, served to deter economic development and has further served to be a means of supporting and rewarding irresponsible absentee owners.

By having a higher tax on land, we are specifically rewarding those who invest in the productive use of land through development and improvement. With the notable exception of the relatively few property owners who own large expanses of undeveloped land, the split-rate property tax policy has served to actually reduce the overall tax burden on taxable property owners than what would have existed if there was a single millage rate applied to land and improvements equally.

The City of Harrisburg, Pennsylvania was listed as the second most distressed city in the nation under the federal government distress criteria at the beginning of the 1980's. Since then, three decades of previous decline have been dramatically reversed. We have now registered over four billion dollars in new investment here. The number of businesses has increased from one thousand nine hundred eight to over eight thousand nine hundred. The crime, fire, unemployment and vacant property rates have dropped considerably during the same timeframe.

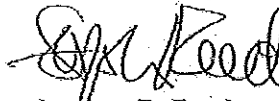
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While there is not a single policy that is the "magic wand" to assure urban revitalization, I can unhesitantly report that the split-rate property tax policy is a very significant economic development incentive and that, without such, we could not have achieved the economic development success of this era. We regard the split-rate property tax policy as a critical and strategic incentive that both induces and rewards investment in projects great and small.

We wish you well in all of your good work with your city.

With warmest personal regards, I am

Yours sincerely,


Stephen R. Reed
Mayor

SRR/kjk

cc: Joshua R. Vincent